



Loan Guaranty Program

The Virginia Small Business Financing Authority's (VSBFA) *Loan Guaranty Program* is designed to help Virginia's small businesses obtain the funds to start, enhance, or expand their operations and thereby creates new jobs for citizens of the Commonwealth. The VSBFA guaranty reduces the bank's credit risk and helps the business qualify for financing that would not otherwise be available. Both new loans and restructured existing debt are eligible for guaranties. *This program can also be used to provide a supplemental guaranty to an SBA guaranteed loan. The aggregate co-guaranteed amount for any one loan will not exceed 85% of the gross loan amount of that loan. Restructured debt is ineligible for SBA supplemental guaranty.*

Eligible Borrowers:

Businesses operating in Virginia must meet at least one of the following criteria to be an eligible borrower:

- Have \$10 million or less in annual revenues over each of the last three years; or
- Have a net worth of \$2 million or less; or
- Have fewer than 250 employees; or
- Be a 501(c) 3 non-profit entity (not eligible for supplemental guaranty)

Guaranty Term:

- Deficiency guarantees of lines of credit are provided on an annual basis, with up to four subsequent renewals of the guaranty (5 year maximum).
- Deficiency guarantees for up to 5 years are available for term loans.

Amount:

The maximum guaranty under the program is \$500,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty between the borrower and the VSBFA of \$500,000.

Supplemental Guaranty: VSBFA guaranty is limited to \$500,000 or 35%, whichever is less. The combined VSBFA and SBA co-guarantees are limited to 85% of the gross loan amount.

Application Fee:

\$200

Interest Rate:

The interest rate is set by the Bank.

Guaranty Fee:

The guaranty fee is 1½% of the guaranteed amount due at closing of the line or term loan.

General Instructions

Businesses should directly contact their bank. The bank determines if a government guaranty is needed for their approval. The lender is encouraged to call the VSBFA to discuss the transaction. Guaranty applications are available on line (www.vdba.virginia.gov/financing) or will be mailed upon request. VSBFA approves or declines the guaranty within a week of receiving all required application information. Loan closings for approved requests are scheduled by the bank and documented using their normal procedures and forms.

VSBFA underwrites requests for guaranties. In considering whether to extend a guaranty under the program, the VSBFA assesses the company's ability to repay the loan, the experience of the company's management and the adequacy of the collateral available to secure the loan. Although there is no specific job creation requirement under the program, VSBFA also considers the economic impact and job creation and/or retention resulting from the financing.

The following types of loans are eligible under the *Loan Guaranty Program*:

- Lines of credit to finance inventory and accounts receivable;
- Loans to finance permanent working capital or fixed asset purchases such as office equipment.
- Restructured debt benefitting the borrower with additional funding, a lower interest rate, and/or longer repayment period.

The *Loan Guaranty Program* cannot be used to:

- Eliminate the bank's requirement for collateral or the principal's personal guaranty;
- Compensate for a fundamental business weakness.
- Restructure debt if the borrower does NOT have a prior history of profitable operations and of paying credit as agreed.